

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1340 (Delegate Moon, *et al.*)
Ways and Means

Property Tax - Country Clubs and Golf Courses - Rate of Assessment and Term
of Agreements

This bill alters the property assessment for country clubs and golf courses in the State. The bill specifies that land of a country club or golf course that is actively used as a country club or golf course and meets specified use requirements must be assessed at 1% of market value. In addition, agreements that are entered into between country clubs and golf courses and the State Department of Assessments and Taxation (SDAT) may not exceed five consecutive years and may only be extended in increments of five years or less. The bill applies to any agreement that was entered into on or after June 1, 2018. For agreements that were entered into before June 1, 2018, the bill applies at the earlier of the expiration of the agreement or June 30, 2028. **The bill takes effect June 1, 2018, and applies to taxable years beginning after June 30, 2019.**

Fiscal Summary

State Effect: State property tax revenues (annuity bond fund) decrease upon expiration of special use assessment agreements. Total State property tax revenues may decrease by approximately \$6,000 by FY 2029.

Local Effect: County and municipal property tax revenues in most jurisdictions decrease upon expiration of special use assessment agreements. Total county property tax revenues may decrease by approximately \$57,900 by FY 2029.

Small Business Effect: None.

Analysis

Current Law: For assessment purposes, property in the State is divided into two classes of property – real and personal – and each property class consists of several subclasses.

Real property is divided into the following subclasses: (1) land that is actively devoted to farm or agricultural use; (2) marshland; (3) woodland; (4) land of a country club or golf course; (5) land that is used for a planned development; (6) rezoned real property that is used for residential purposes; (7) operating real property of a railroad; (8) operating real property of a public utility; (9) specified income producing real property; (10) conservation property; and (11) all other real property that is assessed.

Personal property is divided into the following subclasses: (1) stock in business; (2) distilled spirits; (3) operating personal property of a railroad; (4) operating personal property of a public utility that is machinery or equipment used to generate electricity or steam for sale; (5) all other operating personal property of a public utility; (6) machinery and equipment, other than operating personal property of a public utility, that is used to generate electricity or steam for sale or hot or chilled water for sale that is used to heat or cool a building; and (7) all other personal property that is assessed.

Assessment of Golf Courses and Country Clubs

A golf course that is open to the public is eligible for a special use assessment if it is located on at least 50 acres of land on which is maintained a regular or championship golf course of at least nine holes.

A country club is eligible for a special use assessment if it (1) has at least 100 members, who pay dues averaging \$50 or more annually for each member; (2) restricts use of its facilities primarily to members, families, and guests; and (3) is located on at least 50 acres of land, on which is maintained a regular or championship golf course of at least nine holes and a clubhouse.

SDAT may make agreements with country clubs and golf courses that specify the manner of assessing the land of a country club or golf course. All of these agreements must contain uniform provisions. An agreement must be for at least 10 consecutive years or for a longer period as determined by the country club or golf course and SDAT. An agreement may be extended by increments of at least 5 years.

Except as otherwise provided, land owned by a country club or golf course is typically assessed at \$1,000 per acre, subject to an agreement with SDAT, which is the same rate that is applied to land subject to specified open space easements.

State Fiscal Effect: SDAT has identified 18,373 acres of land in the State that are subject to special use assessment agreements for country clubs and golf courses. The land subject to these agreements is assessed at \$1,000 per acre which results in total land assessment for these clubs and golf courses of approximately \$18.4 million. SDAT reports that this golf course land has a total assessment of approximately \$383.0 million, which includes various improvements to land (buildings). Improvements typically make up a small portion of the total area of a golf course, but the land upon which there are improvements is assessed at market value. Under current law, all property belonging to golf courses and country clubs are valued at market value, except for the acreage being used for the actual golf course which is subject to the special use assessment of \$1,000 per acre. Based on this data, improvements to the land for golf courses in the State have an assessment of approximately \$364.7 million.

The bill alters how the acres of golf course land subject to special use assessment agreements are valued by requiring these acres to be assessed at 1% of market value. The current total market value assessment of this acreage is approximately \$1.7 billion. After making adjustments for improvements to land, the market value assessment for golf course land is \$1.3 billion. Therefore, the value of this acreage at 1% of market value is \$13.0 million.

The State real property tax rate is \$0.112 per \$100 of assessment. Based on this data, State property tax revenues could decrease by approximately \$6,000 if golf course land is assessed at 1% of market value in fiscal 2020. As a result, property tax revenues will begin to decrease as agreements expire, but the full effect of the projected property tax revenue decrease may not occur until fiscal 2029.

Local Fiscal Effect: Based on the change in State property tax revenues due to the altered assessment for country clubs and golf courses in the State, county property tax revenues could decrease by approximately \$57,900 if golf course land is assessed at 1% of market value for fiscal 2020. The estimate is based on current county real property tax rates for fiscal 2018. As a result, property tax revenues will begin to decrease as current agreements expire; but the full effect of the projected property tax revenue decrease may not occur until fiscal 2029.

It should be noted that some jurisdictions may realize an increase in net property tax revenues depending on the actual market value of the land compared to the current land assessment. For example, in Montgomery County, property tax revenues could increase by approximately \$70,000 annually.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation; Department of Legislative Services

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